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SUBJECT: PORTUGAL'S CLIMATE CHANGE POLICY

Summary

1. (U) Portugal is in danger of surpassing its Kyoto Protocol and EU Burden Sharing Agreement 2012 targets for greenhouse gas (GHG) emissions. The government has proposed implementing domestic policies to reduce Portugal's projected 42% increase in GHG emissions (using 1990 as a baseline) to the agreed-upon 27% limit by utilizing the flexibility mechanisms of the Kyoto Protocol, including participating in the European Union Emissions Trading Scheme (EU-ETS) and creating a Carbon Fund to finance Clean Development Mechanism (CDM) projects in developing countries. During his January 24 monthly address to Parliament, Prime Minister Socrates urged greater action and proposed several new initiatives to address the problem of climate change. End Summary

2. (U) As a signatory to the Kyoto Protocol, the European Union committed to cut, on average, eight percent of its GHG emissions relative to 1990 levels between 2008 and 2012. The Burden-Sharing Agreement apportioned reduction percentages to member states depending on such factors as population size, economic structure, GDP growth, and standard of living. Due to its relative low industrial and economic capacity, Portugal was allowed a 27% percent increase in GHG emissions under this internal EU agreement. This permissible amount equals 77.2 Mt CO<sub>2</sub>e/year (metric ton of carbon dioxide equivalent/year). However, current indications predict that emissions will increase by 42% during the reference period.

National Action Plan Against Climate Change (PNAC)

3. (U) The EU required member states to draft national action plans outlining the various measures each country planned to implement to meet individual emissions targets. Portugal developed its first Portuguese Action Plan Against Climate Change (PNAC) in 2001 but recently revised it in June 2006 to include additional, more stringent, measures. PNAC 2006 contains initiatives targeting the energy, transport, agricultural, forestry, and waste management sectors. Most of the initiatives focus on the energy sector as it accounted for 72% of all 2004 emissions, a 52% increase from 1990. PNAC 2006 aims to achieve a reduction of approximately 7.3 MtCO<sub>2</sub>e during the 2008-2012 commitment period. Some of the initiatives include meeting 39% of gross electricity consumption through renewable energy sources, reducing energy consumption by 1000 GWH through energy efficiency improvements, and increasing wind power capacity to 5100 MW (septel).

4. (U) Prime Minister Socrates urged even greater action during his January 24 monthly address before Parliament. He called for increasing the percentage of renewable energy sources for electricity consumption from 39 percent to 45 percent (septel). He also proposed a tax on less efficient

light bulbs to promote energy efficiency, the creation of a wave energy pilot zone in Sao Pedro de Moel, and the substitution of five to ten percent of the coal used in the coal plants of Sines and Pego with biomass.

#### Portuguese Carbon Fund

15. (U) In addition to domestic emissions reductions and emissions trading, Portugal intends to utilize the flexibility mechanisms of the Kyoto Protocol to fulfill its commitments. To this end, the Portuguese government created the Portuguese Carbon Fund with an initial endowment of six million euros in 2006 and plans to contribute an additional 78 million euros in 2007, some of it from increased taxes (Portugal hopes to raise over 350 million euros between 2008 and 2012 through carbon taxes, including the proceeds of the light bulb tax, and the sale of government assets). The Fund money may be used to invest in Kyoto Clean Development Mechanism (CDM) projects that reduce CHG emissions in developing countries. Such projects permit Portugal to receive carbon credits that it may apply to its own national emissions target. The funds may also be used domestically for reforestation and other projects that reduce carbon dioxide levels by serving as carbon sinks. The GOP has already targeted projects in the Community of Portuguese Speaking Countries (CPLP) and in Latin America.

#### Comment

16. (U) With the realization that Portugal will far exceed its permissible increase of 27% in GHG, the pressure is on the GOP to augment its existing plan and create new initiatives.

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These new policies must be implemented in 2007 in order for results to be seen during the 2008-2012 commitment period. PM Socrates hopes to capitalize on current political will and sense of urgency to push for more action that will transform Portugal into a showcase for renewable energy.  
Hoffman